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**FISCAL IMPACT STATEMENT**

**LS 6296**

**BILL NUMBER:** SB 290

**NOTE PREPARED:** Dec 13, 2005

**BILL AMENDED:**

**SUBJECT:** Unemployment Benefits.

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Department of Workforce Development (DWD) to make a determination of eligibility for unemployment benefits and make payment or give notice of a negative determination not later than three weeks after the claim for benefits is filed, with certain exceptions. It requires the Department to collect certain periodic statistical information concerning the payment of unemployment claims and provide a report to the Legislative Council.

The bill establishes an alternative method of determining the base period for benefits.

The bill provides that an individual who is otherwise eligible for benefits is not ineligible because the individual is: (1) a part-time worker; or (2) available for or seeking part-time work as long as the part-time work is for at least 20 hours per week.

This bill provides that under certain circumstances, the definition of "wages" for unemployment compensation does not include \$9,000 paid in a calendar year to an individual by an employer or the employer's predecessor.

This bill repeals the one-week waiting period for payment of benefits. It makes conforming changes.

**Effective Date:** Upon passage; July 1, 2006.

**Explanation of State Expenditures:** *Initial Payment:* The bill requires DWD to make a determination of eligibility and payment to a claimant within three weeks of filing the claim. Between January and November 2005, about 77.9% of the claims had been processed within three weeks. The percentage ranged between 55%

in September and 88.6% in January. DWD might incur additional expenses if claims processing personnel were needed to process the claims. The budget for the federal employment security administration function of DWD is about \$71 M of federal money for FY 2007.

*Base Period:* The bill modifies the definition of base period in some special cases. Currently, the base period for the determination of benefits is the first four of the last five complete quarters preceding the time the individual's claim is filed. The bill provides that when the wage credits are insufficient, then the most recent four quarters are used. The percentage of claims ineligible due to not having enough wage credits in 2004 was about 14% and averaged about 11% over the last five years. New claims over the five years was about 261,000. Assuming that the current monetary ineligible claims would be eligible under the bill to receive the minimum benefit of \$50 per week for an average of 13.1 weeks, the bill would increase expenditures by about \$18.8 M ( $\$50 \times 261,000 \times 0.11 \times 13.1$ ) from the Unemployment Insurance Benefit Fund.

*Part-Time:* It is unknown the number of individuals that are ineligible for benefits because they were a part-time employee.

*One-Week Waiting Period:* The elimination of the one-week waiting period for unemployment compensation will have an impact on the total amount of Unemployment Insurance Benefit Trust Fund benefits paid. The impact depends on the number of claims that do not exhaust their benefits and the average benefit of those claims. Between December 2004 and November 2005 there were 110,000 claims, and from October 2003 to September 2004 there were 116,000 claims that did not exhaust their benefits. The average weekly benefits were \$270 for the claims between December 2004 and November 2005. The maximum weekly benefit increased by 5.69% from FY 2005 to FY 2006. Assuming the individuals would have received one additional week of benefits, the impact would be about \$31.4 M ( $110,000 \times \$270 \times 1.0569$ ) from the Unemployment Insurance Benefit Fund.

The balance in the Unemployment Insurance Benefit Fund as of June 30, 2005, was about \$610.5 M, and benefits paid were about \$692.8 M.

The impact on the state as an employer is also minimal. The state spent approximately \$4.6 M for FY 2005 and \$3.4 M for FY 2004 on unemployment insurance benefits.

**Explanation of State Revenues:** *Base Period:* The bill provides that the definition of wages for calculation of employer contributions is increased from the first \$7,000 to \$9,000 of wages. During FY 2005, the state received about \$569.4 M in contributions. The increase in contributions would have been about \$162.7 M for FY 2005.

**Explanation of Local Expenditures:** The impact on local government would be as an employer.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

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